FALCON GOLD CORP

GOLD CORP

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Consolidated Financial Statements

June 30, 2016 and 2015

(Expressed in Canadian Dollars)

Table of Contents
June 30, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Falcon Gold Corp. and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial and operating data elsewhere in the Management Discussion and Analysis are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Falcon Gold Corp. has developed and continues to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of a majority of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by BDO Canada LLP, who had full access to the Audit Committee, with and without the presence of management.

(signed)
Stephen Wilkinson
Chief Executive Officer

(signed)
Brian Crawford
Chief Financial Officer

Vancouver, British Columbia
October 27, 2016

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Independent Auditor's Report

To the Shareholders of Falcon Gold Corp.

We have audited the accompanying consolidated financial statements of Falcon Gold Corp., which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Falcon Gold Corp. as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has not yet achieved profitable operations and has accumulated losses of $4,294,941 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) 'BDO CANADA LLP"

Chartered Professional Accountants
Vancouver, British Columbia
October 27, 2016

(Expressed in Canadian Dollars)

		As at June 30, 2016		As at June 30, 2015
Assets				
Current assets				
Cash	$	823	$	13,936
Receivable		4,185		8,000
Prepaid expenses		25,350		42,367
		30,358		64,303
Property and equipment		-		1,796
Exploration and evaluation assets (Note 4)		1,307,687		2,415,118
	$	1,338,045	$	2,481,217
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	522,157	$	316,918
		522,157		316,918
Shareholders' equity				
Share capital (Note 5)		4,348,822		4,318,822
Contributed surplus (Note 5)		762,007		762,007
Deficit		(4,294,941)		(2,916,530)
		815,888		2,164,299
	$	1,338,045	$	2,481,217

Nature of Operations and Going Concern (Note 1)
Events after the Reporting Period (Note 10)

Approved by the Board of Directors

"Stephen Wilkinson" ______________________ Director

"Brian Crawford" ______________________ Director

The accompanying notes are an integral part of these consolidated financial statements

(Expressed in Canadian Dollars)

Years ended June 30		**2016**		**2015**
Operating expenses				
Filing fees and communication	$	14,682	$	18,224
General and administration costs (Note 9)		182,587		437,645
Professional fees		39,561		127,743
Share-based payments (Note 9)		-		215,070
Depreciation		-		732
		236,830		799,414
Loss on disposal of property and equipment		1,796		-
Gain on settlement of accounts payable		-		(4,730)
Write-down of exploration and evaluation assets (Note 4)		1,139,785		260,451
Loss and comprehensive loss	$	1,378,411	$	1,055,135
Basic and diluted loss per share	$	(0.16)	$	(0.14)
Weighted average number of shares outstanding		8,411,422		7,564,844

The accompanying notes are an integral part of these consolidated financial statements

(Expressed in Canadian Dollars)

	Number of Shares		Common Shares Issued and Fully Paid		Contributed Surplus		Accumulated Deficit		Total
Balance, June 30, 2014	5,151,388	$	3,348,283	$	509,162	$	(1,861,395)	$	1,996,050
Shares issued for exploration and evaluation assets	50,000		32,500		-		-		32,500
Shares issued for cash	2,969,711		898,125		-		-		898,125
Shares issued for finder's fees	66,000		42,900		-		-		42,900
Shares issued on exercise of options	50,000		37,500		-		-		37,500
Share issue costs	-		(61,483)		-		-		(61,483)
Warrants issued for exploration and evaluation assets	-		-		58,772		-		58,772
Broker warrants/options issued	-		(10,025)		10,025		-		-
Transfer from contributed surplus on exercise of options	-		31,022		(31,022)		-		-
Share based compensation	-		-		215,070		-		215,070
Loss and comprehensive loss	-		-		-		(1,055,135)		(1,055,135)
Balance, June 30, 2015	8,287,099		4,318,822		762,007		(2,916,530)		2,164,299
Shares issued for exploration and evaluation assets	150,000		30,000		-		-		30,000
Loss and comprehensive loss	-		-		-		(1,378,411)		(1,378,411)
Balance, June 30, 2016	8,437,099	$	4,348,822	$	762,007	$	(4,294,941)	$	815,888

The accompanying notes are an integral part of these consolidated financial statements

(Expressed in Canadian Dollars)

Years ended June 30	**2016**	**2015**
Operating activities		
Net loss for the year	$ (1,378,411)	$ (1,055,135)
Items not affecting cash		
Depreciation	-	732
Share-based payments	-	215,070
Gain on settlement of accounts payable and accrued liabilities	-	(4,730)
Loss on disposal of property and equipment	1,796	-
Write down of exploration and evaluation assets	1,139,785	260,451
Change in non-cash working capital:		
Receivables	3,815	(8,000)
Prepaid expenses	17,017	16,148
Accounts payable and accrued liabilities	205,239	(57,535)
Net cash used in operating activities	(10,759)	(632,999)
Financing activities		
Issuance of common shares	-	818,642
Net cash provided by financing activities	-	818,642
Investing activities		
Investment in and expenditures on exploration and evaluation assets	(2,354)	(176,749)
Net cash used in investing activities	(2,354)	(176,749)
Net change in cash	(13,113)	8,894
Cash, beginning of year	13,936	5,042
Cash, end of year	$ 823	$ 13,936

Supplemental schedule of non-cash transactions:

Mineral property acquisition	30,000	134,172
Settlement of loans payable	-	55,000

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Falcon Gold Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The address of the Company's registered office in British Columbia is 439 Helmcken Street, Vancouver, British Columbia V6B 2E6 and the address of the Company's office in Ontario is 855 Brant Street, Burlington, Ontario, L7R 2J6.

The Company's shares are listed on the TSX Venture Exchange.

The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. At June 30, 2016, the Company has accumulated losses of $4,294,941 since inception and will continue to incur further losses in the development of its business. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2016. The Board of Directors approved the consolidated financial statements on October 27, 2016.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional Currency

The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Currency - continued

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Manhattan Minerals Inc. and 2287991 Ontario Inc.

The consolidated financial statements include the financial statements of subsidiaries subject to control by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations and comprehensive loss for the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions and balances are eliminated on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Company.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written down to the estimated recoverable amount in the statement of loss and comprehensive loss in the period the new information becomes available.

Title to mineral property interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, interest rates and dividend yield and expected vesting dates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Cash

Cash includes cash on hand and deposits held at call with banks.

Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares and share purchase warrants issued on acquisition, based on the trading price of the shares on the date of the shares are issued.

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2016 and June 30, 2015 as the disturbance to date is minimal.

Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based Payments

The fair value of share options granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company.

In situations where share options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identified goods or services received at the grant date.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate.

All equity settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issue costs are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as warrants in shareholders' equity. Share issue costs are netted against share proceeds on a pro rata basis.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at June 30, 2016 and June 30, 2015.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets which are classified as loans and receivables, are subsequently carried at amortized cost, using the effective interest method, less any impairment loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables

Financial liabilities:	Classification:
Amounts payable and accrued liabilities	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of a financial asset is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income (loss) and comprehensive income (loss) to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash, receivable, accounts payable and accrued liabilities and loans payable, approximate their fair values due to the short term nature of these financial instruments.

The following standards and interpretations have been issued but are not yet effective:

The following standards, interpretations and amendments, which have not been applied to in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

IFRS 9 — Financial instruments, classification and measurement
IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15 – Revenue from Contracts with Customers establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 – Leases eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company is in the process of evaluating the impact of the new standard.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

	June 30, 2016	June 30, 2015
Cash	$ 823	$ 13,936

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of June 30, 2016. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

During the year ended June 30, 2016, the Company was not exposed to material foreign currency risk.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company has no financial instruments exposed to other price risk.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	New York Canyon Copper Property	Burton Property	Washington Property	Total
Balance June 30, 2014	$ -	$ 1,306,479	$ 1,058,169	$ 2,364,648
Acquisition cost	230,248	-	12,251	242,499
Deferred exploration expenditures	30,203	604	37,615	68,422
Write-down	(260,451)	-	-	(260,451)
Balance June 30, 2015	$ -	$ 1,307,083	$ 1,108,035	$ 2,415,118
Acquisition cost	30,000	-	1,750	31,750
Deferred exploration expenditures	-	604	-	604
Write-down	(30,000)	-	(1,109,785)	(1,139,785)
Balance June 30, 2016	$ -	$ 1,307,687	$ -	$ 1,307,687

Burton Property

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario. The Burton Property consists of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of $1,500,000 at any time.

During the fiscal year ended June 30, 2012, the Company entered into a Mining Option Agreement (the “Agreement”) with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation)(“Trelawney”) whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two year period from the date of signing of the Agreement.

As of June 30, 2015 and June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property. The option for Trelawney to acquire an additional 24% interest in the Burton Property has lapsed.

4. EXPLORATION AND EVALUATION ASSETS - continued

During the year ended June 30, 2016, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past three fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. The Company estimated the net realizable value of the Burton Property, concluding that its net realizable value exceeded its carrying amount and therefore an impairment charge was not required.

Washington Property

The Washington Property consists of fifty-one unpatented claims and the lease for the formerly producing Silver Bell Mine covering 356 hectares northwest of the town of Republic in Washington State.

The Washington Property is subject to a 2% net smelter return in favour of the previous owner of the claims. The Company may purchase fifty percent of the net smelter return for an aggregate amount of $1,000,000 at any time. A portion of the Washington Property is subject to a 5% production royalty in favour of the State of Washington.
During the year, the unpatented claims and the lease lapsed. As a result, impairment of the carrying value of the Property was recorded during the 2016 fiscal year.

New York Canyon Copper Property

The New York Canyon Copper Property consists of 190 unpatented claims and 21 patented claims covering 1,690 hectares in western Nevada.

The Company entered into an Option Agreement (“Agreement”) whereby the Company can earn a 60% interest in the property by making cash payments of $150,000, issue 300,000 common shares and 100,000 common share purchase warrants and incur exploration and evaluation expenditures of $2,000,000 over a four year period from the date of the Agreement. The Company can earn an additional 20% interest in the property by issuing an additional 200,000 common shares and completing a Preliminary Economic Assessment over a two year period subsequent to the period covered by the 60% option.

During the 2015 fiscal year, the Company issued 50,000 common shares and 100,000 share purchase warrants pursuant to the Agreement, and during the 2016 fiscal year the Company issued 50,000 common shares pursuant to the Agreement and 100,000 common shares as consideration for a limited forbearance agreement with respect to the Agreement.

The New York Canyon Copper Property is subject to a 1.75% net smelter return on the patented claims to an aggregate amount of US$2,000,000 and a 2% net smelter return on the unpatented claims.

During the 2016 fiscal year the Agreement was terminated. As a result impairment of the carrying value of the Property was recorded during the 2015 and 2016 fiscal years.

5. SHARE CAPITAL

Authorized
Unlimited number of common shares

On August 15, 2016, the Company consolidated its shares on a 5 for 1 basis. Particulars of the share consolidation were approved by the shareholders at the Company’s AGM on January 14, 2016. The Company had 42,185,496 common shares issued and outstanding and the resulting post consolidation shares outstanding are 8,437,099. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL - continued

Issued

	Number of Shares		Share Capital		Contributed Surplus
Balance June 30, 2014	5,151,388	$	3,348,283	$	509,162
Shares issued for mining property	50,000		32,500		-
Shares issued for cash	2,969,711		898,125		-
Shares issued on exercise of options	50,000		37,500		-
Shares issued for finders fees	66,000		42,900		-
Share issue costs	-		(61,483)		-
Warrants issued for mining property	-		-		58,772
Broker warrants/options issued	-		(10,025)		10,025
Stock based compensation	-		-		215,070
Transfer from contributed surplus on exercise of options	-		31,022		(31,022)
Balance June 30, 2015	8,287,099		4,318,822		762,007
Shares issued for mining property	150,000		30,000		-
Balance June 30, 2016	8,437,099	$	4,348,822	$	762,007

Share Issuances

During the year ended June 30, 2016:

a. On August 19, 2015, the Company issued 50,000 common shares at a deemed price of $0.20 as consideration to acquire its interest in the New York Canyon Creek property.

b. On August 27, 2015, the Company issued 100,000 common shares at $0.20 as consideration for a forbearance agreement with respect to its New York Canyon Creek property.

During the year ended June 30, 2015:

a. On July 25, 2014 the Company issued 1,536,000 units at $0.25 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.50 during the first year and $0.60 during the second year. Finders' fees have been paid and consist of: $16,800, 14,000 Agent's warrants exercisable for common shares and 12,000 Agent's options exercisable for common share units on the same basis as the subscribers. As part of this private placement, $55,500 of the loans payable was settled through 222,000 units issued at $0.25 per unit.

b. On August 14, 2014 the Company issued 50,000 common shares at $0.65 as consideration to acquire its initial interest in the New York Canyon Creek property. An additional 66,000 shares were issued at $0.65 as finder's fees related to this transaction.

c. On August 19, 2014 the Company issued 464,000 units $0.25 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.50 during the first year and $0.60 during the second year. Finders' fees have been paid consisting of: $19,732, and 4,000 Agent's options exercisable for common share units on the same basis as the subscribers.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL - continued

d. On August 19, 2014 the Company issued 459,778 units $0.45 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.65.

e. On October 27, 2014 the Company issued 50,000 common shares at $0.75 on the exercise of options.

f. On May 26, 2015 the company issued 509,933 units $0.375 per unit which is comprised of one common share and one-half share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.50 during the first year and $1.00 during the second year. Finder's fees of $10,123 have been paid.

6. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrants transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, June 30, 2014	-	$	0.00
Issued during the year	2,844,744	$	0.60
Balance June 30, 2015 and 2016	**2,844,744**	**$**	**0.60**

The following warrants are outstanding at June 30, 2016:

Number of warrants	Exercise price per warrant	Expiry date
1,562,000	$0.50 in Year 1, $0.60 in Year 2	July 25, 2016
100,000	$0.50	August 8, 2016
468,000	$0.50 in Year 1, $0.60 in Year 2	August 19, 2016
459,778	$0.65	August 19, 2016
254,966	$0.50 in Year 1, $0.60 in Year 2	May 26, 2017
2,844,744		

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the "Exchange") under which it is authorized to grant options to directors, officers, employees and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

A summary of the status of the stock option plan and changes for the year ended June 30, 2016 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
2016								
May 4, 2011	May 4, 2016	$1.00	50,000	-	-	(50,000)	-	-
July 17, 2012	July 17, 2017	$0.75	185,000	-	-	(50,000)	135,000	135,000
Aug 21, 2014	Aug 21, 2019	$0.75	320,000	-	-	(40,000)	280,000	280,000
			555,000	-	-	(140,000)	415,000	415,000
Weighted average exercise price			$0.75	-	-	$0.90	$0.75	$0.75

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS - continued

A summary of the status of the stock option plan and changes for the year ended June 30, 2015 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
2015								
May 4, 2011	May 4, 2016	$1.00	115,000	-	-	(65,000)	50,000	50,000
July 17, 2012	July 17, 2017	$0.75	290,000	-	(50,000)	(55,000)	185,000	185,000
Aug 21, 2014	Aug 21, 2019	$0.75	-	320,000	-	-	320,000	316,250
			405,000	320,000	(50,000)	(120,000)	555,000	551,250
Weighted average exercise price			$0.80	$0.75	$0.75	$0.90	$0.75	$0.75

The weighted average remaining contractual life of options outstanding at June 30, 2016 was 2.46 years (2015 – 3.15 years).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the years ended June 30, 2016 and 2015 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
August 21, 2014	August 21, 2019	$0.70	$0.75	1.20%	5 years	184%	0%

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS - continued

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $nil (2015 - $215,070).

As at June 30, 2016 there was $nil (2015 - $624) of unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the year as part of exploration and evaluation asset acquisition costs were $nil (2015 - $nil).

8. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

		2016		2015
Loss before income taxes	**$**	**(1,378,411)**	$	(1,055,135)
Statutory tax rates		**26.00%**		26.00%
Recovery based on statutory rates		**(358,000)**		(274,000)
Change in tax rates		**-**		4,000
Non-deductible expenses		**143,000**		57,000
Financing costs		**-**		(17,000)
Difference in foreign tax rates		**(157,000)**		(4,000)
Change in unrecognized deferred tax assets		**372,000**		234,000
Deferred income tax recovery	**$**	**-**	$	-

(Expressed in Canadian Dollars)

8. INCOME TAXES - continued

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

		2016		2015
Non-capital loss carry-forwards	**$**	**659,000**	$	605,000
Share issuance costs		**2,000**		15,000
Eligible capital property		**16,000**		20,000
Mineral property		**136,000**		-
		813,000		640,000
Offset against deferred tax liabilities		**-**		(316,000)
Unrecognized deferred tax asset		**(813,000)**		(324,000)
Deferred tax assets		**-**		-
Mineral property		**-**		(316,000)
Offset against deferred tax assets		**-**		316,000
Deferred tax liabilities		**-**		-
Net deferred tax balance	**$**	**-**	$	-

The Company has accumulated Canadian non-capital losses of $2,466,000 up to June 30, 2016 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between the years 2027 to 2036. The Company has US tax losses of $141,000 expiring 2030 to 2036.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company had the following transactions in the normal course of operations with related parties:

	Year Ended	
	$ June 30, 2016	$ June 30, 2015
Management fees (i)	42,250	77,100
Office rent and supplies (ii)	26,329	21,000
Consulting (iii)	40,000	92,768
Mineral Exploration Costs (iv)	-	32,250
Share-based payments	-	120,977

(i) The Company paid or accrued $33,250 (2015 - $39,000) in management fees to the President of the Company; $9,000 (2015 - $36,000) to the CFO of the Company; and $nil (2015 - $2,100) in mineral property exploration consulting costs to the VP of Exploration.

9. RELATED PARTY TRANSACTIONS – continued

(ii) The Company paid or accrued $26,329 (2015 - $21,000) for rent, supplies and administrative expenses to a public company of which a director of the Company is the CEO and a private company controlled by the CFO of the Company.

(iii) The Company paid or accrued consulting fees to a director in the amount of $40,000 (2015 - $92,768).

(iv) The Company paid or accrued $nil (2015 - $11,250) in mineral exploration costs to the President of the Company; and $nil (2015 - $21,000) in mineral exploration costs to the VP of Exploration.

Accounts payable and accrued liabilities include $257,080 (2015 - $134,326) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The amount is non-interest bearing and has no fixed term of repayment.

10. EVENTS AFTER THE REPORTING PERIOD

On August 15, 2016, the Company implemented a share consolidation of all its outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares.

At various dates during July 2016 and August 2016, 2,589,778 post-consolidated share purchase warrants expired unexercised.

On August 24, 2016, the Company issued 9,697,273 units at $0.055 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10. Finders' fees consist of cash in the amount of $24,255, and 420,000 Agent's warrants exercisable for common shares on the same basis as the subscribers.

On August 31, 2016 accounts payable in the amount of $31,000 was forgiven by a related party.

On September 1, 2016, the Company issued 1,891,817 units at $0.055 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10. Finders' fees consist of cash in the amount of $5,370, and 45,000 Agent's warrants exercisable for common shares on the same basis as the subscribers.

On September 7, 2016, the Company granted 1,200,000 options to purchase common shares to certain officers, directors and consultants. The options vest immediately and are exercisable at $0.10 per share for a period of five years from the date of grant.

FALCON GOLD CORP

FALCON GOLD CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2016

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Falcon Gold Corp. ("Falcon Gold" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended June 30, 2016. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended June 30, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Falcon Gold's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The effective date of this report is October 27, 2016.

Forward Looking Information

Certain information regarding the Company within the MD&A may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such thing as future business strategy, goals, expansion and growth of the Company's business, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements by their nature involve certain risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. The reader should not rely solely on these forward-looking statements.

Nature of the Business and Corporate Overview

The Company was incorporated on November 24, 2006 under the Business Corporations Act (Ontario) and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The Company trades on the TSX Venture Exchange under the symbol "FG".

Financing

The Company completed no equity financing transactions for cash during the year. Subsequent to the year end the Company completed equity financings of $637,405.

Share Data

On August 15, 2016, the Company consolidated its shares on a 5 for 1 basis. Particulars of the share consolidation were approved by the shareholders at the Company's AGM on January 14, 2016. The Company had 42,185,496 common shares issued and outstanding and the resulting post consolidation shares outstanding at June 30, 2016 equaled 8,437,099. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

All references to shares, stock options and warrants are to post consolidation shares, stock options and warrants.

Selected Annual Information

	Year Ended June 30, 2016	Year ended June 30, 2015	Year Ended June 30, 2014
Revenue	$ -	$ -	$ -
Net Loss	$ 1,378,411	$ 1,055,135	$ 340,567
Net Loss per Share	$ (0.16)	$ (0.14)	$ (0.07)
Total Assets	$ 1,338,045	$ 2,481,217	$ 2,430,733
Total Liabilities	$ 522,157	$ 316,918	$ 434,683
Dividends	-	-	-

The increase in net loss from 2015 to 2016 was as a result of impairment of mineral properties in the amount of $1,139,785 in fiscal 2016 compared to $260,415 in fiscal 2015, a decrease in general and administration expense of $255,058 a decrease in share based compensation of $215,070 and a decrease in professional fees of $88,182.

The decrease in total assets from 2015 to 2016 resulted from the write-down of exploration and evaluation assets in the amount of $1,139,785.

Selected Quarterly Financial Information

	Three Months Ended June 30, 2016	Three Months Ended Mar 31, 2016	Three Months Ended Dec 31, 2015	Three Months Ended Sept 30, 2015
Total assets	$ 1,338,045	$ 1,328,614	$ 1,339,120	$ 1,789,003
Working capital (deficiency)	$ (491,799)	$ (380,172)	$ (362,133)	$ (342,772)
Net loss for the period	$ 111,832	$ 17,232	$ 462,394	$ 786,953
Loss per share	$ (0.00)	$ (0.00)	$ (0.05)	$ (0.10)

	Three Months Ended June 30, 2015	Three Months Ended Mar 31, 2015	Three Months Ended Dec 31, 2014	Three Months Ended Sep 30, 2014
Total assets	$ 2,481,217	$ 2,688,718	$ 2,725,541	$ 2,749,548
Working capital	$ (252,615)	$ (333,563)	$ (172,170)	$ (1,739)
Net loss for the period	$ 355,536	$ 154,108	$ 157,389	$ 388,102
Loss per share	$ (0.05)	$ (0.00)	$ (0.05)	$ (0.05)

Falcon Gold reported no discontinued operations and declared no dividends for any period presented.

Results of Operations

Years ended June 30, 2016 and 2015

The Company incurred a net loss of $1,378,411 for the year ended June 30, 2016, compared to a net loss of $1,055,135 for the year ended June 30, 2015. Details of the more significant changes over last year are as follows:

- A decrease in general and administration to $182,587 (2015- $437,645),
- A decrease in share-based compensation to $nil (2015 - $ 215,070),
- A decrease in professional fees to $39,561 (2015 - $127,743),
- Write-down of exploration and evaluation assets of $1,139,785 (2015-$260,451), and
- Gain on settlement of accounts payable and accrued liabilities of $nil (2015-$4,730).

The decreases in general and administrative expenses are due primarily to a decrease in consulting fees of $58,000, decrease in travel expense of $19,000, a decrease in office and administration costs of $108,000, a decrease in investor communications of $17,000, a decrease in rent expense of $10,000, a decrease in telephone expense of $4,500, a decrease in meals and entertainment of $6,000 and a decrease in administration and filing items of $4,000.

The decrease in share-based compensation reflects the fact that no options were granted during the year and 320,000 options were granted during 2015.

The decrease in professional fees includes a decrease in bookkeeping and accounting fees of $50,000 and a decrease in legal fees of $38,000.

The general decrease in professional fees relates to the option agreement entered into on the New York Canyon Copper property in 2015 with no comparable transaction during 2016.

As at June 30, 2016, the Company has cash of $823 (2015 - $13,936), receivable of $4,185 (2015 - $8,000), prepaid expenses of $25,350 (2015 - $42,367), accounts payable and accrued liabilities of $522,157 (2015 - $316,918), for total working capital deficiency of $491,799 (2015 - $252,615).

Fourth Quarter Fiscal 2016 and 2015

General and administrative expenses for the fourth quarter of fiscal 2016 were higher by $33,000 than for the fourth quarter of fiscal 2015. The more significant increases were for consultants $51,000, and rent $9,000 offset by decreases in management expense $9,000, office expense $2,000, administrative $11,000, and insurance expanse of $5,000. Professional fees decreased by $46,000.

Impairment charges for exploration and evaluation assets were n 2016 compared to $260,451 in 2015.

Liquidity and Capital Resources

This section should be read in conjunction with the audited consolidated statement of financial position for the year ended June 30, 2016, and the corresponding notes thereto.

The Company currently has no revenue to finance its operations. It is therefore required to fund its activities through the issuance of equity securities and other financing alternatives. The Company's ability to continue its exploration mandate is therefore dependent upon its ability to raise funds.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $4,294,941. As at June 30, 2016 the Company had cash of $823 to settle current liabilities of $522,157.

To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Recent global economic conditions and market uncertainty may have an impact on the Company's ability to raise funds through the equity markets. Management believes that there are sources of financing available; however there can be no assurance that the Company will be successful in its future fund-raising activities. Subsequent to the year end the Company raised $637,405 in additional equity. See Subsequent Events section for details.

Mineral Property Interests

	Opening Balance	Expenditures (Write-downs)	Ending Balance
Burton Property	1,306,479	604	1,307,083
Washington Silver Property	1,058,169	49,866	1,108,035
New York Canyon Copper Property	-	260,451	260,451
		(260,451)	(260,451)
Balance June 30, 2015	2,364,648	50,470	2,415,118
Burton Property	1,307,083	604	1,307,687
Washington Silver Property	1,108,035	1,750	1,109,785
Write-down		(1,109,785)	(1,109,785)
New York Canyon Copper Property	-	30,000	30,000
Write-down		(30,000)	(30,000)
Balance June 30, 2016	2,415,118	(1,107,431)	1,307,687

Burton Property

The Burton Property is situated in Esther Township, Porcupine Mining District, Ontario approximately 200 km north-northwest of Sudbury and approximately 150 km southwest of Timmins. Burton is located in a jurisdiction with a long established mining history and is comprised of 6 patented claims and 16 unpatented claims totaling approx. 350 ha. All unpatented claims are in good standing to the summer/fall of 2016.

The Burton Property lies within the Archean Swayze Greenstone Belt and has recently been correlated with and interpreted to be part of the Abitibi Greenstone Belt which hosts the world class Timmins and Kirkland Lake lode gold mining camps. The Burton Property occurs near the southern margin of the Swayze greenstone belt where the belt consists dominantly of mafic to intermediate metavolcanic rocks and Timiskaming-type metasedimentary rocks. The volcanic rocks are locally intruded by ultramafic intrusive rocks. Felsic to intermediate volcanic rocks occur to the north of the mafic volcanic rocks and sedimentary rocks. Bedding and foliations in the area strike dominantly east-southeast parallel to the trend of the southern contact of the Swayze belt and dip steeply to the southeast.

The Company has completed a phase 1 diamond drilling program of 2935 meters in 25 holes on the Burton Property. For results of this program please see the news releases of July 27, 2011 and September 12, 2011 on the company's website at www.falcongold.ca.

During fiscal 2012, the Company entered into a Mining Option Agreement (the "Agreement") with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) ("Trelawney") whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two year period from the date of signing of the Agreement.

In addition to the cash payment of $150,000, the Company received an amount of $619,278 as advances for exploration and evaluation expenditures to be incurred as part of the Trelawney Agreement. As of June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property.

During the year ended June 30, 2016, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past three fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. The Company estimated the net realizable value of the Burton Property, concluding that its net realizable value exceeded its carrying amount and therefore an impairment charge was not required.

Washington Silver Property

The Washington Property consisted of fifty-one unpatented claims and a mining lease enclosing the formerly producing Silver Bell Mine covering 356 hectares northwest of the town of Republic in Washington State.

The Washington Property was subject to a 2% net smelter return in favour of the previous owner of the claims. The Company could purchase fifty percent of the net smelter return for an aggregate amount of $1,000,000 at any time. A portion of the Washington Property is subject to a 5% production royalty in favour of the State of Washington.

During the 2016 fiscal year the Company allowed fifty one unpatented claims to lapse resulting in impairment of $665,000 to the carrying value of the Property and due to the continued softness in the commodities market and a lack of available funding sources for exploration projects, additional impairment of $444,785 was recorded as the mining lease lapsed.

New York Canyon Copper Property

The New York Canyon Copper Property consisted of 190 unpatented claims and 21 patented claims covering 1,690 hectares in western Nevada.

The Company entered into an Option Agreement ("Agreement") whereby the Company can earn a 60% interest in the property by making cash payments of $150,000, issuing 300,000 common shares and 100,000 common share purchase warrants and incurring exploration and evaluation expenditures of $2,000,000 over a four year period from the date of the Agreement. The Company could earn an additional 20% interest in the property by issuing an additional 200,000 common shares and completing a Preliminary Economic Assessment over a two year period subsequent to the period covered by the 60% option.

The New York Canyon Copper Property was subject to a 1.75% net smelter return on the patented claims to an aggregate amount of US$2,000,000 and a 2% net smelter return on the unpatented claims.

During the 2015 fiscal year, the Company issued 50,000 common shares and 100,000 share purchase warrants pursuant to the Agreement, and during the 2016 fiscal year the Company issued 50,000 common shares pursuant to the Agreement and 100,000 common shares as consideration for a limited forbearance agreement with respect to the Agreement.

On October 16, 2015 the Agreement with Canyon Copper Corp. was terminated and an impairment charge was recorded for the carrying amount of the New York Canyon Copper property. Impairment of $260,451 was recorded during the 2015 fiscal year and impairment of $30,000 was recorded during the 2016 fiscal year.

The Company is required by the various government agencies to incur annual qualifying exploration and development expenditures and/or to make annual payments in order to maintain its claims in good standing. As at June 30, 2016, the Company believes it has incurred the required amount of expenditures and believes to the best of its knowledge that all claims are in good standing.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Share-based payments

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, interest rates and, dividend yield and expected vesting dates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7 to the consolidated financial statements.

Changes in Accounting Policies

The following standards and interpretations have been issued but are not yet effective:

The following standards, interpretations and amendments, which have not been applied to in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 – Leases eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well.

Financial Instruments

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

The Company's financial instruments consist of cash, receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

(a) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held with a Canadian Schedule A bank, from which management believes the risk of loss to be minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company receives cash flow primarily from its financing activities. As at June 30, 2016, the Company had cash of $823 (June 30, 2015 - $13,936) to settle current liabilities of $522,157 (June 30, 2015 - $316,918). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(i) Interest rate risk

Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported consolidated net loss and comprehensive consolidated net loss for the year ended June 30, 2016.

(ii) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of June 30, 2016, the Company was not a precious mineral, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Related Party Transactions

During the three months and the year ended June 30, 2016, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship	Purpose of Transaction	Three Months Ended	Year Ended
Stephen Wilkinson	CEO, Director of the Company	Consulting Services	$33,250	$33,250
Brant Capital Partners Inc.	Company controlled by the CFO of the Company	Consulting services	$Nil	$9,000
Centurion Minerals Ltd.	Company of which a director of Falcon Gold is the CEO	Rent	$5,400	$21,829
Brant Capital Partners Inc.	Company controlled by the CFO of the Company	Rent, office supplies, administrative expenses	$Nil	$4,500
Pacific Capital Advisors	Entity of which a director of Falcon Gold is the CEO	Consulting Services	$40,000	$40,000

During the year ended June 30, 2016, no stock options were granted to insiders.

Accounts payable and accrued liabilities include $257,080 (2015 - $134,326) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Proposed Transactions

As of the date of this MD&A the Company has no proposed transactions.

Outstanding Share Data

On August 15, 2016, the Company consolidated its shares on a 5 for 1 basis. Particulars of the share consolidation were approved by the shareholders at the Company's AGM on January 14, 2016. The Company had 42,185,496 common shares issued and outstanding and the resulting post consolidation shares outstanding at June 30, 2016 equaled 8,437,099. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

All references to shares, stock options and warrants are to post consolidation shares, stock options and warrants.
As of the date of this MD&A, the Company has 20,026,189 post consolidation common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 415,000 post consolidation common shares expiring at various date between July 2017 and August 2019 and exercisable at $0.75 per common share and, (b) share purchase warrants to purchase an aggregate of 12,347,239 post consolidation common shares expiring between May 2017 and September 2018 exercisable at prices ranging from $0.10 to $1.00 per common share. Included in the warrants outstanding are 465,000 broker warrants. For additional details of share data, please refer to Notes 5, 6, and 7 of the June 30, 2016 audited consolidated financial statements.

Risks and Uncertainties

Liquidity and Additional Financing

The Company has limited financial resources and no current revenues. There can be no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

Regulatory Requirements

Even if the Company's properties are proven to host economic reserves of gold or other precious or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond the Company's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non-precious metals, any of which could result in work stoppages, damage to the property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labor are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the financial position of the Company.

The Company will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non-precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access to any properties in which the Company has or may have an interest may have an adverse effect on profitability in that infrastructure costs will be higher.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of the securities of the Company.

No Assurance of Title to Properties

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The company believes that it presently holds all necessary licences and permits to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is currently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploitation industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

Environmental Regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods.

The effect of these factors on the price of gold, base and precious metals and therefore the economic viability of any of the Company's projects cannot be accurately predicted.

Reliance on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. The Company does not carry any key man insurance.

Subsequent Events

On August 15, 2016, the Company implemented a share consolidation of all its outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares.

At various dates during July 2016 and August 2016, 2,589,778 post-consolidated share purchase warrants expired unexercised.

On August 24, 2016, the Company issued 9,697,273 units at $0.055 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10. Finders' fees consist of cash in the amount of $24,255, and 420,000 Agent's warrants exercisable for common shares on the same basis as the subscribers.

On August 31, 2016 accounts payable in the amount of $31,000 was forgiven by a related party.

On September 1, 2016, the Company issued 1,891,817 units at $0.055 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10. Finders' fees consist of cash in the amount of $5,370, and 45,000 Agent's warrants exercisable for common shares on the same basis as the subscribers.

On August 20, 2016, the Company granted 1,200,000 options to purchase common shares to certain officers, directors and consultants. The options vest immediately and are exercisable at $0.10 per share for a period of five years from the date of grant.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.